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SEPTEMBER 1987

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE

EARNINGS: WILL THEY DANCE AGAIN?

1987 Survey

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MEMO FROM THE EDITOR

Your income has fallen out of step

Our September issue begins our annual series of financial articles on your earnings, expenses, fees, and other practice barometers. In this issue we're revealing how all practitioners in general fared during 1986. Our October issue will break down those national and regional income figures by small, mixed, large, and equine veterinarians. Your expenses also will be published in October, fees for many basic services in November, and more articles with the most current data available in December. This exclusive financial information results from our annual Continuing Survey in which we surveyed 4,500 practicing veterinarians. Our 1987 Continuing Survey marks the fifth year that VETERINARY ECONOMICS has compiled this data for the profession.

What about your income? As our cover story, "Earnings: Will they dance again?" on page 32 shows, your net income (after professional expenses, but before income taxes) has fallen off its feet. The article looks at some of the reasons for this imbalance and leads you through realistic moves you can follow to fall back into step.

Michael D. Sollars

By Michael D. Sollars

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EARNINGS: WILL THEY DANCE AGAIN?

Our 1987 Continuing Survey shows your income is far from tripping the light fantastic. As a matter of fact, our $4.23 billion market is shrinking. What's wrong? Plenty.

By Michael D. Sollars EDITOR

Where's our GVP (gross veterinary product) going? Downhill, according to VETERINARY ECONOMICS' latest Continuing Survey. A measure of the total goods and services provided by the profession shows 1986 finished at $4.23 billion, down from 1985's GVP of $4.25 billion.*

For all industries, the gross national product (GNP) ran $4,206.1* billion this past year, compared to $3,998.1 billion in 1985. The veterinary profession contributes

*All figures except for the "gross veterinary product" (GVP) are based on medians. The GVP is calculated using mean or average gross income figures multiplied by the number of veterinarians practicing in 1986.

All figures in the following charts are medians. Research by Medical Economics Co. Inc. Research Group for VETERINARY ECONOMICS. This article is © 1987 and published by Veterinary Medicine Publishing Co Inc at Lenexa, Kan. 66215. All rights reserved. This article may not be reproduced or paraphrased in whole or in part in any manner whatsoever without permission. Limited quotations if properly referenced are acceptable.

GROSS EARNINGS UP ONLY 0.9 PERCENT

Individual gross income	Percent of practitioners	
	1986	1985
$200,000 or more	15%	16%
190,000-199,999	4	3
180,000-189,999	3	3
170,000-179,999	3	3
160,000-169,999	3	3
150,000-159,999	4	5
140,000-149,999	5	4
130,000-139,999	4	6
120,000-129,999	6	4
110,000-119,999	6	5
100,000-109,999	4	6
90,000-99,999	4	5
80,000-89,999	3	5
70,000-79,999	3	3
60,000-69,999	3	4
50,000-59,999	4	4
40,000-49,999	4	4
30,000-39,999	8	7
Less than $30,000	14	10
Median	**1986 - $114,600**	**1985 - $113,600**

Total goods and services provided by the profession in 1986 was $4.23 billion, down from $4.25 in 1985.

roughly 0.1 percent of the total country's GNP.

What about your personal gross and net income? Your gross income ran only $114,600 in 1986, a meager 0.9 percent increase over 1985's $113,600, based on median figures from the Continuing Survey. That 0.9 percent even trails 1986's figure of 1.1 percent consumer price index (CPI).

What about net income from your practice? Unfortunately, there's bad news there, too. Your take-home pay (earnings after tax-deductible expenses, but before income taxes) dipped $600 to $40,500 in 1986, vs. 1985's $41,100.

Expenses one culprit

Where do we point the blame?

Unfortunately, there's bad news about your net income too, as take-home pay dipped $600 to $40,500 in 1986.

There are a lot of targets. Let's start with expenses. In our annual financial survey that tracks veterinarian earnings, expenses, and fees, our respondents reveal that their expenses in 1986 rose 2.5 percent. The highest hikes went for drugs and medical supplies. The median ***practice*** spent $38,200 in 1986 vs. $34,000 in 1985, or up 12.4 percent. You should know that these figures include only practitioners who listed an expense in these categories. (Next month's VETERINARY ECONOMICS will detail the expenses and income for individual practice types.)

Let's put our expenses in perspective. A rise of 2.5 percent is pretty small on most economic

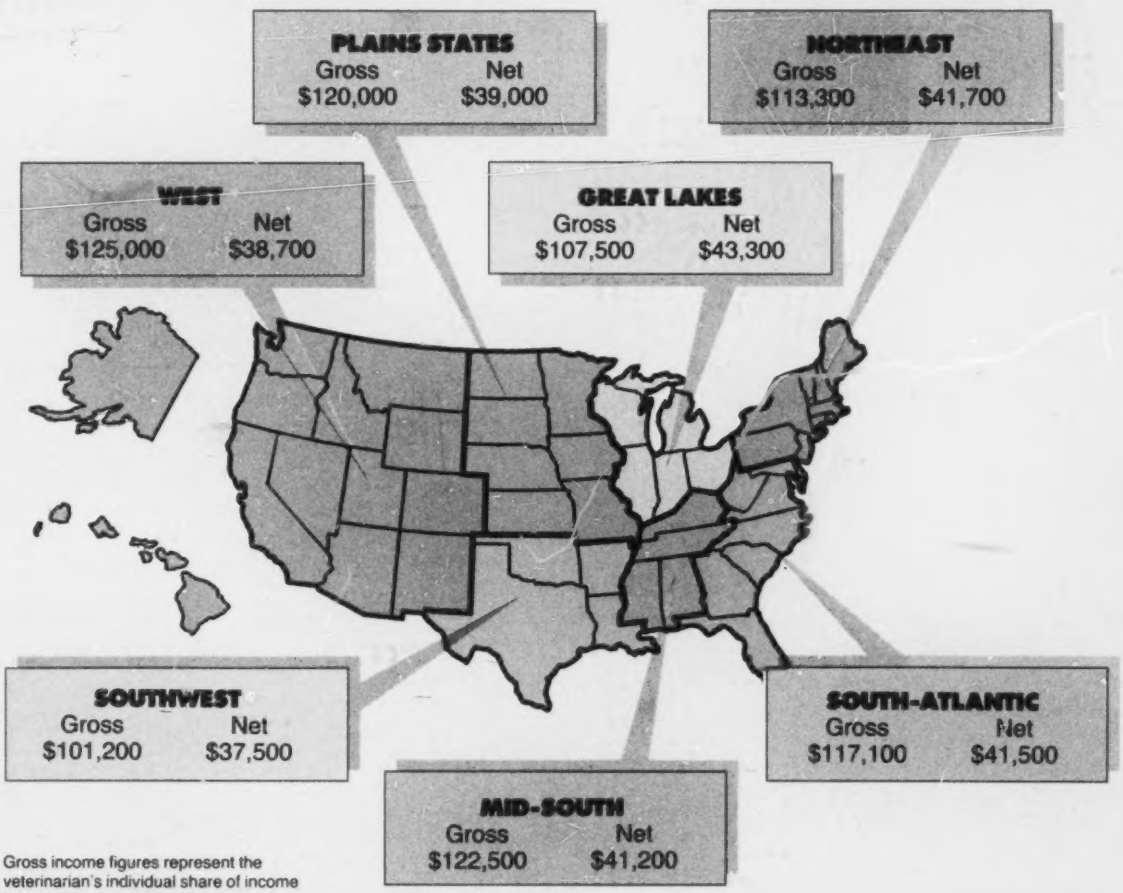
ELUSIVE NET INCOME SHRINKS 1.5 PERCENT

Individual net income	Percent of practitioners	
	1986	1985
$100,000 or more	5%	7%
90,000-99,999	2	2
80,000-89,999	3	5
75,000-79,999	3	3
70,000-74,999	3	4
65,000-69,999	3	3
60,000-64,999	4	3
55,000-59,999	4	3
50,000-54,999	6	7
45,000-49,999	9	6
40,000-44,999	9	9
35,000-39,999	9	7
30,000-34,999	10	10
25,000-29,999	10	10
20,000-24,999	11	10
15,000-19,999	4	5
10,000-14,999	2	3
Less than $10,000	3	3
Median	**1986 - $40,500**	**1985 - $41,100**

SOME REGIONS GAIN INCOME, SOME LOSE

Veterinarians in the Great Lakes states edged out all others in 1986 by netting a median income of $43,300, up 4 percent from 1985. The previous year, South Atlantic DVMs led the country with $48,900. That figure dropped 15 percent in 1986 to $41,500. The West also dipped in 1986, from $43,400 to $38,700, and the Southwest declined from $39,600 to $37,500.

Like last year, Great Lakes practitioners clung to the highest net as a percentage of gross—40.3 percent, up from 1985's 39 percent. Doctors in the West banked only 30.9 percent of their gross.



Gross income figures represent the veterinarian's individual share of income brought into the practice. Net income figures are tabulated after expenses and before taxes.

scales; it's indetectable on many scales. For instance, office-based physicians had a 10.6 percent growth in expenses from 1985 to 1986. Their net income also grew 10 percent over that same period.

Then why are veterinarians slipping? The basics are not being covered. One business fundamental dictates that you plan for higher expenses in the next fiscal year. You also plan to counteract those added costs. How so? By becoming aggressive with fees, offering additional services, and marketing your practice to new clients.

Fees, services, and client growth—these three areas—either strengthen or weaken the veterinarian's gross and net income from year to year.

Help ahead

In the months ahead, VETERINARY ECONOMICS will help you establish better fees, offer new services and products, and attract new clients to your practice.

While new clients remain the life blood of a practice, the loyal client is the one who will most likely pay for new services such as dentistry, buy pet foods and flea products from your waiting room display, and, more importantly, add another pet to his or her household.

Veterinarians are not challenging the marketplace. To get economic growth out of a mature market, you have to challenge, test, stretch the seams of the marketplace. That comes from better marketing of services and products. ▶

PROFILE OF TOP EARNERS, PAST AND PRESENT

Let's see how this year's top earners compare with last year's. While in 1985 the South Atlantic veterinarians were the big regional breadwinners, in 1986 it's the Great Lakes DVMs who made a splash. But the median figure is still $5,600 shy of last year's top earners. Incorporated practitioners lowered their median income $900, while unincorporated veterinarians' median income rose $400. The median for employed DVMs increased only $100. The median net for male doctors decreased by $200 from last year, and female DVMs' rose by $500. The highest paid age bracket moved from practitioners in their 40s to those in their 50s, but, again, the median figure dipped $1,100. Large animal practitioners leaped ahead of last year's winner, the small animal practitioner. Indeed, small animal doctors' median take-home pay actually decreased while large animal and mixed practice doctors boosted their incomes: large by $1,700, mixed by $5,000.

Great Lakes DVMs earn most:	$43,300
Incorporated practitioners earn most,	$51,900
ahead of unincorporated	43,200
and employed doctors:	28,500
Male doctors outpace female DVMs:	$43,600 vs. $27,700
DVMs in their 50s earn most:	$52,200
Large animal doctors outstride others:	$44,200 - large
	42,100 - equine
	41,200 - small
	38,200 - mixed

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2003DIRO-05 3/78

Each 5 ml of suspension or each tablet contains:

Kanamycin activity (as the sulfate)	100.0 mg
Aminopentamide hydrogen sulfate	0.033 mg
Pectin	25.0 mg
Bismuth subcarbonate	250.0 mg
Activated attapulgite	500.0 mg

THERAPEUTIC ACTION OF INGREDIENTS

Kanamycin Sulfate (Kantrim®): Kanamycin is active against Salmonella, Shigella, **Alcaligenes faecalis, E. coli,** Proteus, and **Staphylococcus aureus,** all species associated with bacterial enteric infections. It is not absorbed from the gastrointestinal tract, providing bactericidal action at the site of infection.

Aminopentamide Hydrogen Sulfate: Aminopentamide is an antispasmodic-anticholinergic agent capable of adequately inhibiting gastrointestinal motility.

Pectin: Pectin is a gastrointestinal detoxifying agent whose detoxifying properties are due to its high content of galacturonic acid, which produces conjugation products with many toxins, thus converting them to non-toxic substances.

Bismuth Subcarbonate: Acts as an adsorbent, protecting the gastrointestinal mucosa, neutralizing gastric acids, and helping to normalize the consistency of stools.

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AMFOROL(Veterinary Oral Suspension and Tablets) is indicated for the treatment of bacterial enteritis in dogs (caused by organisms susceptible to kanamycin) and the symptomatic relief of the associated diarrhea.

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Dogs – The following dosage schedule is recommended, based upon a simple estimation of animal size:

Oral Suspension: Five ml (5 ml) per 20 lbs body weight every 8 hours. Maximum dose, 15 ml every 8 hours. For animals under 10 lbs, 2.5 ml every 8 hours.

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NDC 0015-2003-60 – 480 ml
NDC 0015-2003-45 – 120 ml
AMFOROL Veterinary Oral Tablets – bottles of 100
NDC 0015-2006-60 – 100 Tablets

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HOW THIS YEAR'S SURVEY WAS CONDUCTED

Questionnaires for the 1987 VETERINARY ECONOMICS Continuing Survey were mailed late in January to 4,500 veterinarians in private practice—a random sampling from the master list maintained by this magazine. By the mid-May cutoff date 1,303, or 29 percent, of the veterinarians had responded. After we set aside returns with apparent discrepancies, incomplete responses, and those from veterinarians who had not been in practice throughout the year, our working sample consisted of 912 questionnaires. These were coded by VETERINARY ECONOMICS' research staff and tabulated by computer under the direction of Harvey Ross of Digitab Computing Inc., Syosset, N.Y.

REGION	Percent of Statistical universe[1]	Survey sample
Northeast	15.5%	13.0%
South*	33.6	35.6
Midwest**	28.9	32.4
West	22.0	19.0

*Includes Southwest, Mid-South, and South-Atlantic.
**Includes Plains States and Great Lakes.
Veterinary Medicine Publishing Co. mailing list, April, 1987

LOCATION	Percent of practitioners	AGE	Percent of practitioners
Urban	26%	Under 35	40%
Suburban	40	35-44	35
Rural	34	45-54	14
		55-64	10
		Over 65	1

SEX	Percent of practitioners
Male	56%
Female	44

A shrunken pie, divided among more hungry eaters, gives a smaller piece to many.

There's another trend in the profession that dramatically hurts your net income. By the end of 1986 the number of practicing veterinarians rose to 34,840 from 33,738 in 1985. That growth of 1,102 came in a market where the total dollars (GVP) had fallen. Simple math shows that a shrunken pie divided, although unevenly, among more eaters gives smaller pieces to many.

Here are more intriguing details: Our growing number of practitioners is producing a large group of younger DVMs. Almost one-half of the practicing DVMs are 40 years old or younger. They also tend to be associates (non-owners in practices). Employed veterinarians in 1987 make up 25.7 percent of all DVMs. In 1986 that figure ran only 20.7 percent. In 1987, 5 percent of our profession's net earnings shifted to the lower end of the pay scale.

Owners of practices fared fairly well. Veterinarians in unincorporated clinics netted $43,200. Owners in incorporated practices took home $51,900. Employed DVMs pocketed only $28,500. ■

Required Reading

Here's a **best seller** you and your spouse should get your hands on.

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